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Adam Proffitt, Director

Laura Kelly, Governor

February 14, 2023

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 169 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 169 is respectfully submitted to your committee.

Under current law, individual income tax rates are set at 3.1 percent for income under $15,000 ($30,000 for married filing jointly), 5.25 percent for income between $15,000 and $30,000 (between $30,000 and $60,000 for married filing jointly), and 5.7 percent for income $30,000 and over ($60,000 and over for married filing jointly). SB 169 would eliminate the individual income tax for taxpayers with income under $5,225 ($10,450 for married filing jointly) and set the individual income tax rate to 4.75 percent for income over $5,225 ($10,450 for married filing jointly) beginning in tax year 2024.

Estimated State Fiscal Effect				
	FY 2023 SGF	FY 2023 All Funds	FY 2024 SGF	FY 2024 All Funds
Revenue	--	--	($170,400,000)	($170,400,000)
Expenditure	--	--	$52,150	$52,150
FTE Positions	--	--	--	--

The Department of Revenue estimates that SB 169 would decrease State General Fund revenues by $170.4 million in FY 2024, $568.5 million in FY 2025, and $574.2 million in FY 2026. To formulate these estimates, the Department of Revenue simulated this tax policy change based on actual tax return data from tax year 2020. The estimate for FY 2024 includes 30.0 percent of tax year 2024 tax liability. The estimate for FY 2025 includes 70.0 percent of tax year 2024 tax liability and 30.0 percent of tax year 2025 tax liability. The estimated impact by tax year and fiscal year are as follows:

	Tax Year	Fiscal Year
2024	$566,800,000	$170,400,000
2025	$572,500,000	$568,500,000
2026	$578,200,000	$574,200,000

The Department indicates that the bill would require $52,150 from the State General Fund in FY 2024 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make a precise estimate of the number of debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with SB 169 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Tamara Emery, Department of Administration